



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL  
PROCUREMENT POLICY

JUN 14 1983

MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM:

*Donald E. Sowle*  
Donald E. Sowle, Administrator

SUBJECT:

Prevention of Wasteful Year-End Spending

The Director of the Office of Management and Budget requested that the Office of Federal Procurement Policy provide guidance on ways to prevent wasteful year-end spending in procurement.

Attachment 1 is an updated checklist for your use in detecting and preventing end-of-year procurement abuse.

OFPP Policy Letter No. 81-1 (Attachment 2) requires each agency to have review procedures for fourth quarter spending, and to establish an advance procurement planning system. The procedures developed by your agency to comply with the Policy Letter are useful management controls to assist in avoiding wasteful year-end spending.

We request that you emphasize to all procurement and program personnel the importance of using the OFPP checklist and of complying with Policy Letter No. 81-1.

I cannot overemphasize that prevention of unneeded or unwise Federal spending is an essential part of our efforts to control waste, fraud and mismanagement and to restore public confidence in the integrity of Government. I ask you to continue to use public funds wisely and to be especially alert to unnecessary, nonessential or inefficient year-end buying during this last quarter of FY 1983.

Attachments

### CHECKLIST FOR PREVENTING WASTEFUL YEAR-END SPENDING

#### A. Standards of Conduct

1. Have employees been advised of the standards of conduct as they apply to wasteful spending and the possible sanctions and penalties?
2. Have employees been apprised of their duty to and the methods of reporting waste and fraud including hotline telephone numbers (attached) and the protections that are available to employees making waste and fraud reports?
3. Contracts or other documents must not be post dated.
4. Procurement actions should not be delegated or assigned to field or base stations, regional or other subordinate offices or other activities of agencies, nor should any other action be taken to avoid proper review, clearance, approvals or other such internal controls.
5. Contracts to former Government employees must be closely reviewed and clearly justified.

#### B. Need Determination

1. Is the request part of a current approved plan?
2. Is the request for more property or services than is needed to meet approved and essential program objectives?
3. Is the request duplicative in whole or in part?
4. Has a lease vs. purchase review been completed if appropriate?
5. Is the modified request for purchase of additional items or services not contained in the original procurement request or contractor proposal? Is this because estimated funding needs were in excess of the funds actually required to meet the funding requirements of the original request? Is it fully justified?

6. Purchases or orders for equipment, supplies, or services should not be approved unless they have been planned in advance or are needed to meet an emergency and comply with agency internal controls.
7. Funds should not be obligated for requirements-type or task contracts in excess of anticipated needs based on projections from prior use and current operating levels.
8. The procurement of consulting and related services and modifications of current consulting and related services contracts must be reviewed for compliance with current controls.
9. Purchases by or orders from the General Services Administration, the Defense Logistics Agency, or other central procurement offices, or off Federal Supply Schedules should not be in excess of current use or inventory requirements. Use and inventory requirement must be validated. Orders should not be placed if delivery cannot be made in time to meet current need or inventory requirements.
10. Procurement actions must be reviewed to ensure that they are essential, the minimum necessary, not superfluous or "gold-plated."
11. To avoid duplication or underutilization and to foster greater economy and efficiency, users should ensure maximum utilization of available inventories and the proper use of all available resources including excess property.
12. Intragovernmental agreements for the common use or loan of equipment, services and facilities should be used when cost effective.
13. Items should not be replaced while they still are usable unless replacement is essential to meet program objectives or substantial cost savings will result. Materials and equipment should be repaired and reused whenever practicable.
14. Renovation, moving or redecorating, should only be done when it is essential to program objectives, required because of lease arrangements or in an emergency to protect the health and safety of employees. In any case, it should only be the minimum necessary.

#### C. Good Procurement Practice and Accountability

1. Is there time to ensure that normal procurement practices are followed?
2. A cost or price analysis, and a determination that the Government is paying only fair and reasonable prices and will receive all appropriate discounts and credits, should be made for all contracts or modifications.

3. All noncompetitive proposals should be audited or audit information obtained, unless reasonableness of price can be established clearly by other means.
4. Certification of current cost or pricing data should not be used as a substitute for preaward price negotiation.
5. Initiation of procurements in the fourth quarter for award in the fiscal year should generally be limited to small purchases or to emergency unscheduled requirements.

D. Method of Contractor Selection

1. Will a noncompetitive contract be necessary? Is it fully justified? Have plans been made to prevent subsequent noncompetitive contracts?
2. Are grants reviewed to ensure they are the proper vehicle in accordance with the Grant and Cooperative Agreement Act P.L. 95-224 and are not used to avoid procurement procedures?
3. "Unsolicited" proposals should be truly unsolicited and should not be accepted unless they are truly unique or innovative and are for an essential program requirement. Award will only be made after strict compliance with regulations on unsolicited proposals.
4. Procurements should not be divided just to come within small purchase procedures. In accordance with good procurement practices, requests should be consolidated if it would be more cost effective to do so. However, this should not be construed to prohibit breakout of items for small or minority business.
5. Short response times or restrictive requirements must not be used as methods to avoid open competition or as means of "steering" contracts.

E. Use of Existing Contracts

1. If the request is for the exercise of options or the funding of the later years of a multi-year contract, is it fully justified, still necessary? Is the option or later year still reasonably priced?
2. If the requests are purchases off Federal Supply Schedules or orders against basic ordering agreements or requirements-type contracts, are they fully justified as to need, pricing and the method of contracting?
3. If the request is to add funds to an ongoing contract with a Government-Owned/Contractor-Operated facility, a Federal Contract Research Center, or a Federally Funded Research and Development

Center, is the requirement clearly defined, is it fully justified? Are such contracts being used as a means to circumvent procurement requirements? Are subcontract awards being directed by the Federal agency?

4. Funds obligated to cover unpriced items, such as changes, spare parts and data, should not be in excess of current best estimates of need for those items. Additional obligations in excess of the original procurement request must be clearly justified.
5. Funds for letter contracts should not be obligated in excess of that allowed by regulations, nor should letter contracts be used solely as a vehicle to obligate funds that would otherwise lapse.
6. When contracts are modified or supplemental agreements issued to increase the level of effort or procure additional tasks, items or services, the additional requirements must be validated. The subcontracting of substantial parts of such modifications, change orders or tasks may indicate contracts are being used as vehicles to avoid competition.
7. Funds for contractor-operated supply stores or other logistic support-type contracts should not be obligated in excess of current requirements or used as a vehicle to make directed procurements nor should they otherwise be used to avoid agency internal management controls.

**OFFICE OF INSPECTOR GENERAL****OFFICES****HOTLINE  
NUMBERS**

<b>Department of Agriculture</b> Room 425A Administration Building Washington, D. C. 20250	800-424-9121 202-472-1388
<b>U. S. Agency for International Development</b> AID/IG/II P. O. Box 9664 Rosslyn Station Arlington, Virginia 22209	FTS 235-3528 703-235-3528
<b>Department of Commerce</b> Room 7898-C Main Commerce Washington, D. C. 20230	800-424-5197 202-377-2495
<b>Department of Defense</b> Assistant to the Secretary of Defense for Review and Oversight Room 3E1081 Pentagon Washington, D. C. 20301	800-424-9098 202-693-5080 Autovon 223-5080
<b>Department of Education</b> Room 4022 Switzer Building 330 C Street, S.W. Washington, D. C. 20202	FTS 755-2770 202-755-2770
<b>Department of Energy</b> Room 5B250 1000 Independence Avenue, S.W. Washington, D. C. 20585	FTS 252-4073 202-252-4073
<b>Environmental Protection Agency</b> 401 M Street, S.W. (Code A-109) Washington, D. C. 20460	800-424-4000 202-382-4977
<b>General Services Administration</b> Room 5340 18th and F Streets, N.W. Washington, D. C. 20405	800-424-5210 202-566-1780
<b>Department of Health and Human Services</b> Room 5246 North Building Washington, D. C. 20201	800-368-5779 202-472-4222
<b>Department of Housing and Urban Development</b> Room 8254 451 7th Street, S.W. Washington, D. C. 20410	FTS 472-4200 202-472-4200

**OFFICES****HOTLINE  
NUMBERS****Department of the Interior**

Interior Building, Room 5342  
19th and C Streets, N.W.  
Washington, D. C. 20240

800-424-5081  
202-343-2424

**Department of Justice**

Counsel, Office of Professional Responsibility  
Room 4306, Main Justice  
Washington, D. C. 20530

202-633-3365

**Department of Labor**

Room S5513  
200 Constitution Avenue, N.W.  
Washington, D. C. 20210

800-424-5409  
202-357-0227

**National Aeronautics and Space Administration**

Room 6075 (Code W)  
400 Maryland Avenue, S.W.  
Washington, D. C. 20546

800-424-9183  
202-755-3402

**Small Business Administration**

Room 1018  
1441 L Street, N.W.  
Washington, D. C. 20416

800-368-5855  
202-653-7561  
FTS-653-7561

**Department of State**

Room 6821 State  
2201 C Street, S. W.  
Washington, D. C. 20520

202-632-3320

**Department of Transportation**

Room 9210  
400 7th Street, S.W.  
Washington, D. C. 20590

800-424-9071  
202-755-1855

**Department of the Treasury**

Room 2412 Main Treasury  
Washington, D. C. 20220

202-566-6900

**Veterans Administration**

Room 1100 McPherson Building  
1425 K Street, N.W.  
Washington, D. C. 20420

800-368-5899  
FTS 389-5394  
202-634-2006

**OTHER AGENCY HOTLINE NUMBERS**

**General Accounting Office**

800-424-5454  
202-633-6987

**Office of Personnel Management**

FTS 634-4423  
202-634-4423